

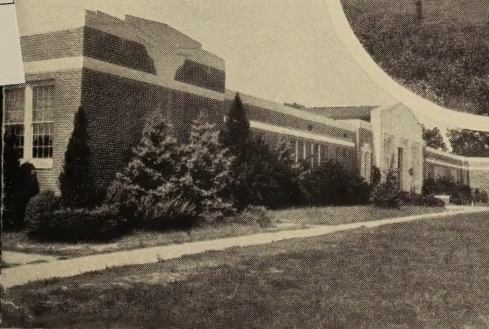
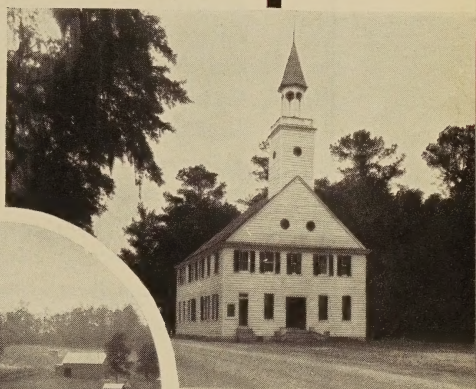
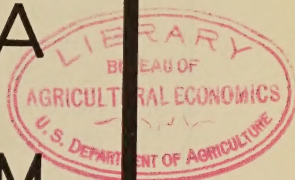
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INCREASING NATIONAL INCOME

THROUGH THE AAA FARM PROGRAM

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"The first and most important problem of the South is that of low income. To state the problem simply, there just is not enough total agricultural income in the South to support the region's extremely dense farm population. In the 10 principal cotton States, 47 percent of all the people live on farms. The average per capita income of these rural people is unbelievably small. Many are, as the President has so aptly stated, 'ill-fed, ill-clothed, ill-housed.' Many, if not all of these ills, can be traced directly to an inadequate income. There is no hope of correcting these ills through the **redistribution** of the available income, because that income is so small and so inadequate, that even if it **were** redistributed there still would not be enough to go around. The first problem is to **increase** the total income going to the South so there will be **more to divide** among its dense farm population."—I. W. DUGGAN, *Director, Southern Division, Agricultural Adjustment Administration, in an address before The American Farm Economic Association, at Philadelphia, Pa., December 28, 1939.*

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION, SOUTHERN DIVISION

INCREASING NATIONAL INCOME THROUGH THE AAA FARM PROGRAM

(Questions and Answers)

INTRODUCTION

The greatest problem of the Southern farmer is that of inadequate income.

This simply means that in far too many cases he does not make enough to provide an acceptable standard of living for himself and his family. The main difficulty he has to solve is how to get the additional income needed to provide such a living.

Other problems that are part of or closely related to this major problem are:

- (1) Restricted outlets for the main cash crops.
- (2) Low prices received by farmers for their products in relation to the cost of goods and services they buy.
- (3) Dense farm population which is rapidly increasing.
- (4) Lack of food and feed for home use.
- (5) Unproductive soil that is rapidly and constantly being depleted by erosion and leaching.
- (6) Lack of farm management ability and skill required to do many needed jobs properly.

Low farm income, whatever its causes may be, is not a problem of farmers alone. When farmers' incomes are too low to provide them with everyday necessities, not only the farm families themselves, but all the people with whom they trade, suffer ill effects. When farmers cannot buy manufactured goods and cannot pay for professional services, it means fewer jobs and reduced incomes for people in towns and cities.

In view of the fact that the outstanding need of the Southern farmer is a larger income and that most of his problems are closely related to that need, it is apparent that the most effective means of solving his problems are to be found in the steps most likely to increase the returns from his farm. By this is

meant the returns, both in money and in the things the farmer would have to buy with money, if such things were not raised on his farm.

The AAA farm program offers every farmer the opportunity to take those steps, providing payments in connection with acreage adjustments and additional financial assistance in the carrying-out of needed soil-building practices. All features of the program are designed to help the farmer conserve his soil and increase his income.

Through full use of the program, the Southern farmer not only makes possible a better living for his family and better communities in which to live, but he also makes possible a better living for all people in the Nation. For example, the purchasing power of the 1932 cotton crop was only 48 percent of parity. But for the next 7 years, 1933-39, the purchasing power of the cotton crop, including payments, averaged 81 percent of parity. Despite these gains, farm buying power is still curtailed by lack of income.

LOW FARM INCOME

1. Q. What facts indicate that Southern farmers in general are receiving inadequate incomes?

A. Although 42 percent of the farm people of the United States live in the 10 principal cotton-producing States, they received less than 25 percent of the total farm income of the Nation in the past 10 years. While the cash income per farm person in these States has increased from \$70 in 1932 to \$145 in 1939, the income of Southern farm people is still far below that of other large groups of people in this country. It is also evident that the farmer is not getting his fair share of the national income. In 1939, the average income per farm person available for living was \$194, while the average nonfarm income available for living was \$642.

2. Q. What proof is there that the farmer's buying power has decreased in the past 25 years?

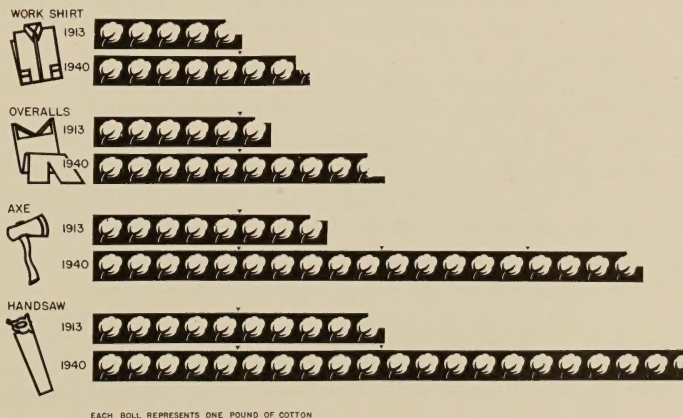
A. A comparison of prices paid by the farmer for the articles he has to buy, with prices he receives for his products, shows very definitely that it now requires more farm products than it did 25 or 30 years ago to buy the same amount of goods.

For example, at January 15 prices in 1913 it required only 4.7 pounds of cotton to buy a work shirt, but to buy this article in January 1940, it took the equivalent of 7.2 pounds. On the same basis, it required 0.73 bushels of wheat to buy a work shirt in 1913, compared with 0.86 bushels in 1940. And this holds true for most items needed on the farm. It took only 7.9 pounds of cotton to buy a 4-pound axe in 1913, compared with 18.7 pounds in January 1940. To buy the same article, it took 1.2 bushels of wheat in 1913, compared with 2.2 bushels in 1940.

3. Q. What justification is there for the national farm program?

A. Assistance, such as that rendered through the national farm program, is given farmers to help offset handicaps resulting from special privileges previously granted to other groups. For example, the effect of the tariff has been to maintain or increase the prices of goods that farmers buy, while American farm export products must continue to compete with foreign products at world price levels. At the same time, the tariff has served to destroy the ability of foreign countries to buy our farm products, because they cannot buy our products unless they can sell their goods to us. Other factors, such as immigration quotas and corporation laws, have resulted in the farmer paying high prices for goods he has to buy in relation to prices he receives for his products. An increased farm income, through payments and other benefits of the AAA program,

COTTON REQUIRED TO PURCHASE SPECIFIED COMMODITIES



will help to place farmers on a footing more nearly equal with that of other groups.

Another important reason for assistance to farmers is that they are charged with the protection of the Nation's soil resources. By proper conservation of the soil, farmers not only help themselves, but they insure a continuous, ample supply of food and fiber to the 130 million people of the United States.

IMPROVING FARM INCOME

4. Q. How does the AAA program help to increase farm income?

A. The AAA Program Helps to Increase Farm Income by:

- (1) Making payments to participating farmers.
- (2) Bringing supplies and marketings more nearly in line with demand.
- (3) Making it possible to grow more food and feed for home use.
- (4) Lowering production costs by increasing productivity.
- (5) Encouraging the production of higher-quality products.
- (6) Making loans on farm products when prices are low or production high.
- (7) Insuring production through crop insurance.

5. Q. What types of payments are made to farmers under the program?

A. Subject to annual appropriations by Congress, farmers receive two types of payments—conservation payments and parity payments. Conservation payments are made on certain crops to producers who plant within their acreage allotments. They are also made to enable farmers to carry out approved soil-building practices. Parity payments are designed to help lift farm income nearer parity levels. Parity payments, when available, have been made on certain crops when market prices drop below a specified percentage of parity.

6. Q. How much have AAA payments increased the income of producers of the South's major cash crops?

A. From 1933 through 1938, the first 6 years of the AAA program, Government payments increased the income of farmers in the Southern Region by 1,160 million dollars, or an

average of about 166 million dollars per year. How cash farm income in the nine States of the Southern Region has increased since 1932, is shown in the following table:

Year	Cash income from marketings ¹	Government payments	Total
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>
1932.....	820	820
1933.....	981	107	1,088
1934.....	1,137	180	1,317
1935.....	1,184	184	1,369
1936.....	1,593	76	1,701
1937.....	1,751	108	1,859
1938 ²	1,443	208	1,651
1939 ²	1,403	297	1,700

¹ Prior to 1936 data are unrevised estimates of monthly receipts from the sale of principal farm products and are not strictly comparable with 1936-39 estimates of total cash farm income, since they represent 90 to 95 percent of the total cash farm income.

² Preliminary.

7. Q. Has the AAA program helped farmers increase their cash income from marketings?

A. Many agricultural workers agree that the intangible benefits of the AAA program probably have done as much to increase cash farm income as the actual cash payments. By making it possible for farmers to improve their system of farming, the program has resulted in higher prices, greater yields, better-quality products, and other factors which play an important part in increasing farm income.

8. Q. How does the AAA program increase farm income by helping producers bring supplies of farm products more nearly in line with demand?

A. Over a period of years, the maximum income is derived from a crop if supplies are in balance with demand. The AAA program is a cooperative effort on the part of farmers to bring supplies more nearly in line with demand. The principal tools used are acreage allotments and marketing quotas, which are set high enough to insure ample production, marketings, and reserves of agricultural products, and yet not so high under normal conditions as to increase or even maintain price-depressing surpluses.

9. Q. How does the AAA program help to increase farm income by encouraging the growing of more food and feed for home use?

A. Acreage allotments, marketing quotas, and payments have made it possible for farmers to plant cash crops in line with demand. Under the farm program, land, labor, tools, workstock, and cash that were used in the past to produce surpluses of certain crops, have been released to produce food and feed of which there has been a scarcity on many farms. This affords farmers an opportunity to produce a more nearly ample supply of high-quality food and feed for the family and livestock, thereby increasing their income.

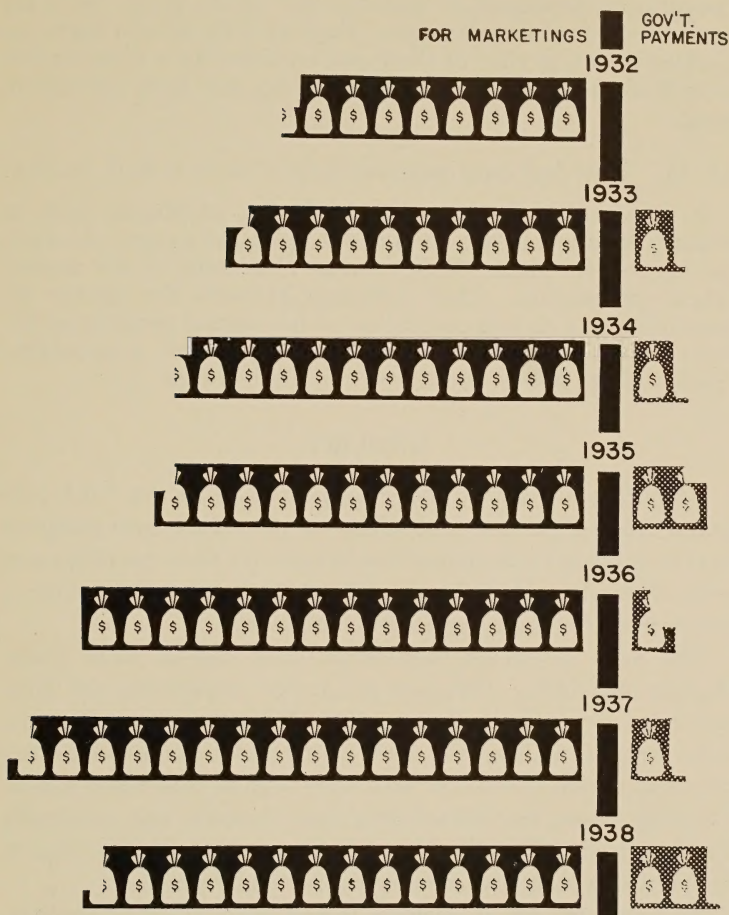
10. Q. How does the AAA program help farmers increase their incomes through lowering of production costs?

A. By making cash and other assistance available for carrying out soil-building practices, the program helps farmers to increase yields and reduce cash outlay, thereby decreasing production costs per unit. Records show that yields of some crops have increased considerably in recent years, due in part to an increase in soil-building practices. For example, the average per-acre yields of cotton in the 10 principal cotton States increased from an average of 169 pounds in 1928-32 to 207 pounds in 1933-39. More than 17 million acres were devoted to green manure crops in these States in 1938.

11. Q. How does the AAA program help to increase farm income by encouraging farmers to adopt practices which result in the production of high-quality farm products?

A. Under the AAA program, farmers have been greatly stimulated to adopt those practices long recommended by agricultural leaders. Through improving the quality of their crops they have been able to obtain higher returns per acre from their planted acreage. The land, labor, cash, workstock, and equipment released from the production of crops, for which there is no demand at a fair price, have made it possible for farmers to improve the quality of their products by using better cultural methods, controlling insects and diseases, harvesting at more nearly the proper time, and using better methods of storing and marketing.

CASH INCOME FROM ALL CROPS IN THE NINE STATES OF THE SOUTHERN REGION



EACH SYMBOL REPRESENTS 100 MILLION DOLLARS

12. Q. How have the loans on farm products helped to maintain or increase farm income?

A. The loan provisions of the farm program guarantee to cooperating producers at least one-half of the parity price for most of the major cash crops. Farmers who obtain loans are enabled to retain title to their commodities for a considerable length of time, and thus to benefit from any later increase in price.

13. Q. How does crop insurance help to increase farm income?

A. Federal crop insurance (applicable at present only to wheat) permits a farmer to take out insurance against all natural hazards for either 50 percent or 75 percent of his normal wheat production. This insurance protects the farmer by assuring him a certain percentage of his normal production for sale, which might otherwise be lost through unavoidable risks, such as floods, droughts, hail, and insects.

SUMMARY

By taking full advantage of all provisions of the AAA program, farmers can put into effect an individual farm program that will bring them immediate benefits for their participation and, through such individual participation, will provide a sound basis for future agricultural activity.

The AAA payments supplement farm income from crops, thereby providing increased means for improving the farm family's standard of living. In addition, these payments help farmers to bear the cost of carrying out soil-building practices which heretofore may have been beyond their means. Through these recognized practices, farmers can gradually build up their soil and otherwise manage their land so that it will return a larger income over a period of years.

Increased income to farmers means more efficient farming, and efficient farming, in turn, means an even greater income from the farm. As the farmers prosper through the joint application of more efficient farming methods, the Nation's 130 million consumers also prosper and are assured of a continuous and amply supply of food and fiber.

